

REPLY COMMENTS OF
THE PEOPLE OF THE STATE OF ILLINOIS
ON THE SPRING 2010 ELECTRICITY PROCUREMENT
JULY 9, 2010 – resubmitted July 12, 2010

Three parties other than the People of the State of Illinois filed Comments on June 21, 2010 in response to the 2010 Procurement Events. Those parties are: the Staff of the Illinois Commerce Commission, Boston Pacific Co, the procurement monitor, and Constellation Energy Commodities Group, a power marketer. The People will comment on select recommendations made by those parties. A failure to comment on any particular recommendation does not indicate either support or opposition to the recommendation.

- A. **Collateral Requirements for ComEd RECs.** The Staff recommends reducing the collateral requirements for ComEd REC contracts to 10% of the remaining contract value. The People support this recommendation in the absence of an expressed reason for ComEd collateral requirements to be more stringent than the Ameren collateral requirements.
- B. **Public Reports of Total Electricity Cost Should Be Produced.** The People agree with Boston Pacific that each utility should be required to produce public reports on the total cost of electricity service and on how the

procurement results affect the total rates paid by consumers for electricity supply. Boston Pacific noted that the services obtained in the procurement do not include all of the costs of electricity paid by consumers. The People agree that it is crucial to report all inputs into the total supply charge paid by consumers. For example, ComEd customers are charged additional amounts to cover capacity charges determined by PJM, but these charges are not part of the procurement process. Nevertheless, in order to fairly assess the functioning of the market and the effect of the procurement on consumers, an explanation of the total cost of electricity to consumers must be provided.

C. **Procurement Timing.** The People agree with Boston Pacific that the procurement event should take place before the summer months, preferably in March or April. This will give the parties an opportunity to prepare for the procurement process and assure that the procurement does not take place too close to the summer months for which energy is being secured.

D. **Single REC Procurement for ComEd and Ameren.** The People do not agree with Boston Pacific that there should be a single REC procurement for ComEd and Ameren. A single procurement may be appropriate if the Ameren and ComEd service areas could be considered a single market. However, at present ComEd is in the PJM territory and Ameren is in MISO territory, with different rules and distribution systems. There is little transmission between these service areas, restricting the ability of suppliers from one area to provide

service to the other. In the absence of a unified or working market serving both service areas, a single procurement is inappropriate.

E. **Derivatives.** Boston Pacific raises a question about the effect of the possible changes to the law concerning the use of derivatives in connection with energy trading. Although at present changes to the law are not settled, to the extent that the law is changed, the IPA should assess the implications of the change, and any other change in the law that would affect the procurement process and the cost to provide electricity to Illinois consumers.

F. **Full requirements contracts have not been shown to be more economical to consumers than the current procurement model.** Constellation Energy Commodities Group (CCG) suggests that “wholesale suppliers are specialists in the area of portfolio management” and that the IPA should request full requirements contracts to meet the electricity needs of Illinois consumers. CCG Comments at 5. Although CCG suggests that the risk premium associated with such contracts is “only \$0.72/MWh,” CCG Comments at 12, this figure is based on a single study that does not address the market conditions prevalent in Illinois. Illinois tried a full requirements approach to procurement in 2006, and the high risk premiums embedded in the final rates refute CCG’s comment that it is “difficult to imagine that a managed portfolio

could result in more competitive prices than those achieved under the full requirements product procurements.”

G. Green e-certificates. CCG also argues that Green e-certificates be accepted for RECs (CCG Comments at 14). This issue was addressed in the Commission’s 09-0373 Order at page 116, where the Commission stated: “The Constellation proposal regarding Green-e certification has been refuted by several parties ... and is not adopted at this time, as discussed elsewhere in this order [see pages 124-127]. This matter may be discussed in any workshop process going forward.” These comments are not an appropriate context to revisit this issue.

H. Long term renewable contracts. Both the People and Boston Pacific commented on the delay in the RFP for long-term PPAs to procure renewable resources. In its Order in Docket 09-0373, the Commission addressed the terms of the RFP for long term renewables at length at pages 39-120, with the Commission’s conclusions starting at page 115. Issues such as the prequalification, application of benchmarks, the selection of winning bids solely on the basis of price, the delivery point for financially settling the contracts, and supplier credit requirements were addressed. Further, the provisions included in the document marked Appendix K and filed on November 9, 2009 in that docket were approved by the Commission and they

set the terms for the RFP consistent with the law. The People understand that
the terms to procure long term renewable contracts are established.

Respectfully submitted,

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